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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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By
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Corporation
St. Petersburg, FL

92-2240

(Mark One)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 1992

or

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 0-17389

TEJAS GAS CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	76-0263364
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
1301 McKinney, Suite 700 Houston, Texas	77010
(Address of principal executive offices)	(Zip Code)

(713) 658-0509
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

As of July 31, 1992, Tejas Gas Corporation had 6,853,065 shares of common stock, par value $.25 per share, outstanding.

TEJAS GAS CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements of Tejas Gas Corporation ("Tejas") included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is suggested that these financial statements be read in conjunction with the audited financial statements and the notes thereto included in Tejas' Annual Report on Form 10-K for the year ended December 31, 1991.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented have been included in the accompanying financial statements.

Because of the seasonal nature of Tejas' operations, among other factors, the results of operations for the interim periods presented are not necessarily indicative of the results to be expected for an entire year.

TEJAS GAS CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 1992	December 31, 1991
	(in thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,443	$ 12,451
Accounts receivable	52,829	59,378
Exchange gas receivable	8,155	2,413
Prepaid expenses	1,376	1,143
Total current assets	66,803	75,385
Property, Plant and Equipment	429,414	422,213
Less accumulated depreciation	88,532	79,675
Property, plant and equipment, net	340,882	342,538
Goodwill, net	11,912	12,146
Investments in Unconsolidated Entities	13,906	3,883
Other Assets	4,529	5,239
Total	$ 438,032	$ 439,191
Liabilities and Stockholders' Equity		
Current Liabilities:		
Gas purchases payable	$ 47,465	$ 59,251
Exchange gas payable	10,234	3,308
Accounts payable	5,210	3,587
Accrued liabilities	7,918	9,605
Income taxes payable	247	1,109
Current installments of long-term debt	-	-
Total current liabilities	71,074	76,860
Other Liabilities	2,580	3,122
Long-Term Debt	224,965	224,965
Deferred Income Taxes	19,159	18,303
Commitments and Contingencies	-	-
Stockholders' Equity:		
Preferred Stock, $1 par value; 1,000,000 shares authorized	-	-
Common Stock, $.25 par value; 15,000,000 shares authorized; 6,841,349 shares issued and outstanding	1,710	1,710
Capital surplus	29,420	29,415
Retained earnings	89,124	84,816
Total stockholders' equity	120,254	115,941
Total	$ 438,032	$ 439,191

TEJAS GAS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
	(in thousands, except per share amounts)			
Gas Systems Revenues	$ 114,253	$ 102,280	$ 216,111	$ 218,570
Costs and Expenses:				
Cost of sales	96,549	83,574	178,572	180,510
Operating expenses	2,969	3,345	5,961	6,700
Depreciation and amortization	4,648	4,595	9,281	9,168
General and administrative	3,244	3,029	6,487	6,224
Total	107,410	94,543	200,301	202,602
Earnings From Operations	6,843	7,737	15,810	15,968
Other Income (Expense):				
Equity in earnings of unconsolidated entities	267	-	512	-
Interest income	137	236	328	604
Interest expense	(4,912)	(5,904)	(10,117)	(12,003)
Other, net	46	7	122	17
Total	(4,462)	(5,661)	(9,155)	(11,382)
Earnings Before Income Taxes	2,381	2,076	6,655	4,586
Income Taxes:				
Current	573	415	1,491	916
Deferred	192	345	856	734
Total	765	760	2,347	1,650
Net Earnings Before Cumulative Effect of Accounting Change	1,616	1,316	4,308	2,936
Cumulative Effect of Accounting Change	-	-	-	2,290
Net Earnings	$ 1,616	$ 1,316	$ 4,308	$ 5,226
Weighted Average Number of Common Shares Outstanding	7,021	7,020	7,014	7,014
Earnings Per Common Share:				
Before Cumulative Effect of Accounting Change	$ 0.23	$ 0.19	$ 0.61	$ 0.42
Cumulative Effect of Accounting Change	-	-	-	0.33
Total	$ 0.23	$ 0.19	$ 0.61	$ 0.75

TEJAS GAS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Six Months Ended June 30,	1992	1991
	(in thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 4,308	$ 5,226
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	9,281	9,168
(Gain) loss from sales of assets	(63)	(1)
Deferred income taxes	856	734
Amortization of deferred loan costs	332	876
Cumulative effect of accounting change	-	(2,290)
Equity in earnings of unconsolidated entity	(512)	-
Distributions from unconsolidated entity	688	-
Changes in current assets and current liabilities:		
(Increase) decrease in -		
Accounts receivable and exchange gas receivable	807	22,235
Prepaid expenses	(233)	(1,222)
Increase (decrease) in -		
Gas purchases payable, exchange gas payable, and accounts payable	(3,237)	(44,270)
Accrued liabilities	(1,673)	(1,091)
Income taxes payable	(862)	142
Net cash provided by (used in) operating activities	9,692	(10,493)
Cash Flows From Investing Activities:		
Capital expenditures	(7,532)	(3,974)
Proceeds from sales of assets	204	89
Investments in unconsolidated entities	(10,199)	-
Deposit for GCNGC	1,500	-
Other, net	(1,064)	460
Net cash used in investing activities	(17,091)	(3,425)
Cash Flows From Financing Activities:		
Purchase of treasury stock	(9)	(36)
Exercise of stock options	-	1
Proceeds from issuance of long-term debt	13,500	-
Retirement of long-term debt	(13,500)	(13,601)
Debt issuance costs incurred	(600)	(152)
Net cash used in financing activities	(609)	(13,788)
Net Decrease in Cash and Cash Equivalents	(8,008)	(27,706)
Cash and Cash Equivalents at Beginning of Period	12,451	29,387
Cash and Cash Equivalents at End of Period	$ 4,443	$ 1,681

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

A summary of natural gas average daily throughput in millions of cubic feet is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
System sales	619	627	596	635
Transportation	376	471	405	474
Total system throughput	995	1,098	1,001	1,109
Off-system sales	70	51	78	56
Gas processed	74	71	76	73
Total throughput	1,139	1,220	1,155	1,238

Sales and transportation of natural gas through its own natural gas pipeline systems is Tejas' core business. Mild winter and summer weather during the first and second quarters, respectively, in Tejas' area of operations reduced demand for natural gas. As a result, total system throughput decreased by approximately 10% during the quarter and six months ended June 30, 1992 as compared to the comparable periods in 1991. In addition to the throughput reflected in the above table, Gulf Coast Natural Gas Company ("GCNGC"), a new natural gas pipeline partnership operated by and owned in part by Tejas, had an average throughput of 119 million cubic feet per day ("MMCF/D") and 124 MMCF/D during the first six months and second quarter of 1992, respectively.

Revenues for the first six months of 1992 decreased to $216.1 million as compared to $218.6 million during the first six months of 1991, primarily as a result of reduced volumes and low prices for natural gas during the first quarter of 1992. Revenues for the second quarter increased to $114.3 million as compared to $102.3 million for the second quarter of 1991 as prices for natural gas were significantly higher in the 1992 period.

Tejas' net earnings for the first six months of 1992 were $4.3 million as compared to $2.9 million for the first six months of 1991, before the cumulative effect of an accounting change, and $5.3 million for such period in 1991, after including the $2.3 million increase in net earnings resulting from a change in accounting for income taxes pursuant to the requirements of Financial Accounting Standards Board Statement No. 96. Tejas' net earnings for the second quarter of 1992 were $1.6 million, as compared to $1.3 million during the second quarter of 1991.

Tejas' earnings from operations for the six months and quarter ended June 30, 1992 reflected decreases from the comparable periods in 1991. Reduced systems throughput for the first six months and second quarter of 1992, partially offset by increased earnings from Tejas' natural gas processing operations, resulted in decreases in gross profit (revenues less cost of sales) of $0.5 million and $1.0 million, respectively, when compared to the same periods in 1991. Decreases in operating expenses and interest expense, together with Tejas' share of earnings of GCNGC, more than offset the decreases in gross profit, resulting in increases in net earnings, before accounting change, of $1.4 million and $0.3 million for the six months and second quarter of 1992, respectively. Interest expense was lower in both 1992 periods due primarily to lower average outstanding debt balances and lower interest rates.

Capital Resources, Liquidity and Outlook

As set forth in the Consolidated Statements of Cash Flows, net cash provided by operating activities totaled $9.7 million for the first six months of 1992 compared to net cash used of $10.5 million for the same period in 1991. This increase in net cash provided by operations is due principally to the timing of cash receipts and payments, together with the $1.4 million increase in net earnings before the accounting change.

During the first six months of 1992, net cash used in investing activities totaled $17.1 million for capital expenditures and other investing activities. Capital expenditures totaled $7.5 million, of which $6.0 million was related to the construction of a natural gas storage cavern near Napoleonville, Louisiana. Additional expenditures of $5.0 million are planned during 1992 to complete the storage cavern. During the first six months of 1992, Tejas invested $4.7 million in GCNGC, which included $0.5 million for working capital requirements, and $5.5 million in Evangeline Gas Pipeline Company, L.P. ("Evangeline"), two unconsolidated entities. A deposit of $1.5 million related to GCNGC was returned to Tejas in January 1992. Tejas plans to invest an additional $15.9 million in GCNGC by the end of January 1993.

At June 30, 1992, Tejas' long-term debt with banks, including current installments, totaled $211.6 million consisting of $102.5 million borrowed under a $140 million revolving credit facility and $109.1 million borrowed under a $120 million reducing revolving credit facility. In addition, Tejas had $13.4 million in notes payable related to industrial development revenue bonds.

Under the terms of Tejas' $140 million revolving credit facility, balances outstanding on September 30, 1993 will convert to a term loan requiring repayment in 24 quarterly installments with the first installment due December 31, 1993. Based on total borrowings at June 30, 1992 and due to certain financial ratio limitations, Tejas has additional borrowings available under this revolving credit facility of $29.1 million, of which $10.0 million is restricted until completion of certain pipeline facilities by Evangeline.

Under the terms of Tejas' $120 million reducing revolving credit facility, the commitment will begin to reduce quarterly with the first commitment reduction beginning March 31, 1993 to final maturity on December 30, 1999. Based on total borrowings at June 30, 1992, additional borrowings of $10.9 million are available under this credit line.

Although Tejas has additional borrowings available under its revolving credit facilities, its liquidity is ultimately dependent on cash generated by operations. Tejas believes its earnings from operations will generate sufficient cash to complete its planned expansion projects and make required debt payments in the future. No principal payments are scheduled until 1993. However, Tejas' credit facilities are subject to certain covenants, including the maintenance of certain financial ratios, with which Tejas expects to be able to comply in the ordinary course of business.

The profitability of Tejas' natural gas pipeline operations, particularly for short-term natural gas sales, will continue to be affected by the balance of supply and demand for natural gas. Weather conditions in the first half of 1992 resulted in reduced volumes and relatively low margins for short-term sales and a decrease in low margin transport volumes. Tejas' management does not expect that a continuance of such market conditions will impair Tejas' ability to comply with its debt covenants or complete planned expansion projects. At the end of 1991, Tejas obtained several long-term natural gas sales contracts with major electric utilities, other suppliers to electric utilities and with local distribution companies at margins substantially higher than those for short-term sales. Although Tejas will realize some incremental earnings from these agreements in the second half of 1992, significant economic benefits from these contracts are expected to begin in 1993. This increase in

long-term business with stable volumes and established margins should reduce Tejas' susceptibility to short-term market fluctuations and, thereby, increase the predictability of future earnings. Tejas plans to continue increasing the utilization of its assets to meet the supply requirements of such customers and to obtain additional long-term sales contracts.

PART II. OTHER INFORMATION

Item 4. **Submission of Matters to a Vote of Security Holders**

The registrant's annual meeting was held on May 14, 1992, at which time the stockholders elected directors, approved the adoption of the Director Stock Option Plan ("Plan") and ratified the appointment of auditors as proposed in the proxy solicitation issued pursuant to Regulation 14 of the Securities Exchange Act of 1934. Of the 3,853,749 shares of common stock present in person or represented by proxy at the meeting, 3,499,006 shares voted in favor of the Plan, 354,681 shares voted against the Plan and 62 shares abstained from voting.

Item 6. **Exhibits and Reports on Form 8-K**

(a) Exhibits

11.1 Computation of Earnings per Common Share

(b) Reports on Form 8-K

A Form 8-K dated June 17, 1992 was filed during the second quarter ended June 30, 1992 with regard to the execution of a long-term lease for a storage cavern.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEJAS GAS CORPORATION
(Registrant)

By: /s/ M. D. McNEIL
M. D. McNeil
Executive Vice President - Finance and Treasurer, and in my capacity as Principal Financial Officer

Date: August 13, 1992